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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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August 17, 2001

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Magalie R. Salas, Esq.
Federal Communications Commission
Office of the Secretary
The Portals
445 12th St. S.W.
Room TWB 204
Washington, D.C. 20554

Re: CC Docket Nos. 00-218, 00-249, and 00-251

Dear Ms. Salas:

Enclosed for filing please find an original and three copies of testimony to be filed in the above-captioned docket. An additional eight copies have been provided in a separate envelope to be delivered to the arbitrator. Finally, an extra copy is enclosed to be file-stamped and returned.

If you have any questions, please do not hesitate to call me at 202-639-6058. Thank you very much for your assistance with this matter.

Very truly yours,

Jodie L. Kelley

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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION

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AUG 17 2001

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Expedited Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon-Virginia, Inc., and for Expedited Arbitration	)	CC Docket No. 00-218

DIRECT TESTIMONY OF MARK ARGENBRIGHT

ON BEHALF OF WORLDCOM, INC

(ISSUES IV-11, IV-34, IV-37, IV-30, IV-31, IV-32, IV-35, IV-36,

IV-38, IV-84, VI-1(Y), VI-1(AA))

August 17, 2001

TABLE OF CONTENTS

INTRODUCTION 1

NETWORK ARCHITECTURE

Issue IV-11 2

Issue IV-34 10

Issue IV-37 13

PRICING TERMS AND CONDITIONS

Issue IV-30 17

Issue IV-31 21

Issue IV-32 23

Issue IV-35 28

Issue IV-36 32

RESALE

Issue IV-38 33

GENERAL TERMS AND CONDITIONS

Issue IV-84 36

Issue VI-1(Y) 40

Issue VI-1(AA) 44

CONCLUSION 48

INTRODUCTION

Q. Please state your name and business address.

A. My name is Mark E. Argenbright. My business address is Six Concourse Parkway, Suite 3200, Atlanta, Georgia 30328.

Q. By whom are you employed and in what capacity?

A. I am employed by WorldCom, Inc. in the Law and Public Policy group and hold the position of Senior Staff Specialist, State Regulatory Policy. In my current position, I assist in the development and coordination of WorldCom's regulatory and public policy initiatives for the company's domestic operations. These responsibilities require that I work closely with our state regulatory groups across the various states, including Virginia.

Q. Please summarize your telecommunications background and education.

A. My previous position within WorldCom was Senior Manager, Regulatory Analysis, in which I was responsible for performing regulatory analysis in support of a wide range of company activities. Prior to that, I was employed by the Anchorage Telephone Utility (now known as Alaska Communications Systems) as a Senior Regulatory Analyst and American Network, Inc. as a Tariff Specialist. I have worked in the telecommunications industry for sixteen years, with the majority of my positions in the area of regulatory affairs. I received a Bachelor of Science Degree in Business Administration from the University of Montana in 1980.

Q. What is the purpose of your testimony?

A. My testimony will address several issues related to network architecture, pricing terms and conditions, resale, and general terms and conditions.

NETWORK ARCHITECTURE

Issue IV-11

Should the Interconnection Agreement include detailed terms addressing usage measurement, including use of standard Automatic Message Accounting records; measurement of terminating minutes in actual conversation seconds and originating minutes in network access duration seconds; the transmission of originating Calling Party Number (CPN) information; and procedures to be followed if CPN is not passed?

Q. Please summarize WorldCom's position on Issue IV-11.

A. WorldCom believes these provisions are necessary to facilitate inter-carrier billing. They provide for the exchange of usage information needed for the correct billing of calls delivered from one network to the other.

Q. Please describe the language that WorldCom has proposed.

A. WorldCom has proposed the inclusion of the following language, which appears at Attachment I, Sections 4.1 - 4.1.2.5, and Section 4.5, and Attachment IV, Sections 7 - 7.6 of WorldCom's proposed interconnection agreement:

> 4.1.2 Usage Measurement
>
> 4.1.2.1 Each Party is responsible for the accuracy and quality of its data as submitted to the other.
>
> 4.1.2.2 Each Party shall include in the information transmitted tothe other for each call being terminated on the other Party's network the originating CPN, where available.
>
> 4.1.2.3 Each Party shall calculate terminating Interconnection minutes of use based on standard AMA recordings made within each Party's network.

These recordings are the basis for each Party to generate bills to the other Party.

4.1.2.4 Measurement of minutes of use over Interconnection trunk groups must be in actual conversation seconds for terminating usage and network access duration seconds including unanswered attempts for originating usage.

4.2.1.5 MCIm may choose to deliver both Local Traffic and toll traffic over the same trunk group(s), pursuant to the provisions of Attachment IV. Verizon shall be responsible for measuring the jurisdiction of this traffic based on their own terminating call records and the CPN MCIm passes on these calls. In the event MCIm chooses to deliver both types of traffic over the same traffic exchange trunks, desires application of the local call transport and termination rates, and fails to pass CPN on more than 10% of the calls, it will then provide Percent Local Usage ("PLU") information to Verizon as set forth in Section [7.5] of Attachment IV. In the event MCIm includes both interstate and intrastate toll traffic over the same trunk, and fails to pass CPN on more than 10% of the calls, MCIm will provide Percent Interstate Usage ("PIU") to Verizon as set forth in Section [7.5] of Attachment IV. Verizon shall have the same options, and to the extent it avails itself of them, the same obligations, to provide PIU and PLU information to MCIm. To the extent feasible, PLU and PIU information shall be based on the actual end-to-end jurisdictional nature of each call sent over the trunk. If actual PLU and PIU information cannot reasonably be determined, the reporting Party shall estimate PLU and PIU, and, upon demand, explain the basis for the estimate. The basis for the PLU and PIU are subject to audits in accordance with the provisions of Part A.

4.5 The Parties shall use the Calling Party Number ("CPN") to determine the jurisdiction of billed traffic. If the jurisdiction of traffic cannot be determined based on the CPN, the Parties will jointly exchange industry standard jurisdictional factors, such as PIU, PIIU, or PLU in order to determine the jurisdiction of the traffic.

Section 7. Usage Measurement

7.1 Each Party shall calculate terminating interconnection minutes of use based on standard Automatic Message Accounting ("AMA") recordings made within each Party's network, these recordings being necessary for each Party to generate bills to the other Party.

7.2 Measurement of minutes of use over Local Interconnection Trunk Groups shall be in actual conversation seconds. The total conversation seconds over each individual Local Interconnection Trunk Group will be totaled for the entire monthly bill-round and then rounded to the next whole minute.

7.3 For billing purposes, each Party shall pass Calling Party Number (CPN) information on each call carried over the traffic exchange trunks at such time as the originating Switch is equipped for SS7, and from all switches no later than December 31, 1998. At such time as either Party has the ability, as the Party receiving the traffic, to use such CPN information to classify on an automated basis traffic delivered by the other Party as either Local Traffic or toll traffic, such receiving Party shall bill the originating Party the Local Traffic termination rates, intrastate Exchange Access rates, or interstate Exchange Access rates applicable to each minute of traffic for which CPN is passed, as provided in Attachment I and applicable Tariffs.

7.4 If, under the circumstances set forth in Section [7.3] of this Attachment, the originating Party does not pass CPN on up to ten percent (10%) of calls, the receiving Party shall bill the originating Party the Local Traffic termination rates, intrastate Exchange Access rates, intrastate/interstate transit traffic rates, or interstate Exchange Access rates applicable to each minute of traffic, as provided in Attachment I and applicable Tariffs, for which CPN is passed. For the remaining up to ten percent (10%) of calls without CPN information, the receiving Party shall bill the originating Party for such traffic at Local Traffic termination rates, intrastate Exchange Access rates, intrastate/interstate transit traffic rates, or interstate Exchange Access rates applicable to each minute of traffic, as provided in Attachment I and applicable Tariffs, in direct proportion to the minutes of use of calls passed with CPN information.

7.5 If the originating Party fails to pass CPN on more than ten percent (10%) of calls, or if the receiving Party lacks the ability to use CPN information to classify on an automated basis traffic delivered by the other

Party as either Local Traffic or toll traffic, the originating Party will supply an auditable Percent Local Usage (PLU) report quarterly, based on the previous three months' traffic, and applicable to the following three months. If the originating Party also desires to combine interstate and intrastate toll traffic on the same trunk group, it will supply an auditable Percent Interstate Usage (PIU) report quarterly, based on the previous three months' terminating traffic, and applicable to the following three months. In lieu of the foregoing PLU and/or PIU reports, the Parties may agree to provide and accept reasonable surrogate measures for an agreed-upon period.

7.6 Measurement of billing minutes for purposes of determining terminating compensation shall be in conversation seconds.

Q. Does similar language appear in the current interconnection agreement?

A. Yes. The current agreement contains similar language.

Q. Please explain the nature of the parties' dispute on this issue.

A. The parties agree that usage measurement should be addressed in the interconnection agreement. Indeed, its Response, Verizon states that its inclusion of language related to usage measurement in its proposed interconnection agreement demonstrates its "contractual commitment" to this issue. The areas of dispute concern 1) which party's proposed language will be used to implement the carriers' usage measurement concerns;and 2) whether Verizon will provide sufficient information to WorldCom on intraLATA toll calls to permit WorldCom to bill those access charges.

Q. Please elaborate on the need for "sufficient information."

A. Sufficient information must be provided to enable WorldCom to bill the appropriate rates to the appropriate party on such calls. Specifically, sufficient information must be passed to identify the call as a toll call and also to identify to which carrier WorldCom should assess the access charges. This last point is relevant in those situations where the customer of an independent telephone company makes a toll call to a WorldCom local customer and Verizon is involved as an intermediate carrier.

Q. Does WorldCom's desired resolution of this issue comport with industry standard practices?

A. Yes. Industry standards require connecting toll carriers to transmit the ten-digit calling party number (rather than simply the NPA-NXX) so that the carrier's identity can be ascertained. Transmission of the telephone number and information sufficient to identify the toll carrier (such as the Carrier Identification Code), will enable WorldCom to charge the appropriate access charges to the appropriate carrier, whether it be the independent telephone company or Verizon acting as the intraLATA carrier.

The parties should include – in the information transmitted with the call – the entire telephone number associated with the end user who originated the call and information sufficient to identify which carrier is acting as the intraLATA toll carrier. This information enables the parties to identify the source of the call and thus to bill the appropriate rates to the appropriate party.

Q. Has Verizon identified any specific disagreements with the WorldCom language?

A. Yes. Although Verizon suggests that it objects to several aspects of WorldCom's language, it only identifies and discusses two purported flaws. First, Verizon claims that

WorldCom's language does not address "situation[s] in which either Party cannot mechanically determine the jurisdiction of local traffic," and indicates that it must rely on PIU ("Percent Interstate Usage") and PLU ("Percent Local Usage) information. In addition, Verizon claims that WorldCom's language does not contain certain terms related to the treatment of Internet traffic.

Q. Why would a carrier need to know the jurisdiction of the traffic?

A. A carrier must know the jurisdiction of telecommunications traffic in order to properly bill for it. If the jurisdiction of the call has been recorded through the AMA recordings that WorldCom has proposed, the carrier will know how to bill the traffic. However, if the recordings fail or if the other carrier fails to make them, the carrier may only know that a certain number of minutes of traffic have passed through its network.

Q. Does WorldCom's language address situations in which the jurisdiction of traffic cannot be mechanically determined?

A. Yes. Attachment I, Section 4.1.2.5 of WorldCom's proposed agreement contains language that provides for the reporting of PIU and PLU in those instances where either party cannot determine the jurisdiction of a call. This information allows the carrier to determine which percentage of the minutes should be billed as local, and which should be billed as exchange access. The method of reporting the PIU and PLU information is set forth in Attachment IV, Section 7.5. Pursuant to that language, the carrier that sent the traffic will provide estimates of the PIU and PLU.

Q. Is WorldCom's proposed solution for this situation consistent with industry practice?

Yes. It is standard practice within the industry to utilize estimates when the carriers have been unable to record the traffic.

Q. Has WorldCom deleted terms related to the treatment of internet traffic?

A. WorldCom reviewed the current interconnection agreement language and modified it where it deemed such modifications appropriate; it is possible that these modifications altered or removed language addressing internet traffic. As Verizon has not pointed to specific language, I do not know which terms it believes are no longer addressed in the agreement.

Q. Please explain any critiques that you may have of Verizon's proposed language.

A. First, although Verizon claims that WorldCom's language fails to address situations in which this information cannot be automatically recorded, Verizon's proposal lacks the detail of the WorldCom language. For example, although both Verizon and WorldCom address the proper means of measuring terminating usage, Verizon has failed to address the measurement of originating usage; the WorldCom agreement makes clear that originating usage will be measured in "network access duration seconds including unanswered attempts."

Second, Verizon's proposal indicates that local traffic in excess of a 2:1 ratio will be deemed to be Internet traffic that is not subject to the agreement's reciprocal compensation requirements. This ratio is not only arbitrary, but is inconsistent with this Commission's recent Remand Order which specifies a 3:1 ratio for internet traffic.

Further, Verizon's proposal is less reasonable than WorldCom's with respect to the percentage of traffic with which CPN must be sent to the terminating carrier.

WorldCom has proposed that CPN be sent with 90% of traffic, whereas Verizon's proposal requires that this information be sent with 95% of the traffic. The 90% threshold adopted by WorldCom is more workable.

Verizon's proposal also allows it to reap a financial windfall by charging access rates for all traffic below the CPN threshold. Under Verizon's language, if a carrier sent 85% of its traffic with CPN, the remaining 15% would be billed at access rates, regardless of the jurisdiction of that traffic. The presumption that all traffic is access is inconsistent with reality, and therefore allows Verizon to collect charges well in excess of those that should have applied to the traffic. WorldCom's proposal addresses this situation in a more reasonable fashion, and determines the billing of this traffic by reference to the PLU/PIU reports that the carrier has filed. That is, if the jurisdiction of the call is not known, the traffic is billed in a measurement of the traffic for which there is CPN. Verizon's combination of a high threshold for providing CPN and a high penalty for the traffic for which CPN is not provided allows Verizon to be overcompensated on a routine basis.

Issue IV-34

Should the ICA contain a provision that (1) entitles WorldCom to deliver both Local Traffic and toll traffic over the same trunk group(s); (2) establishes the procedure for measuring the jurisdiction of this traffic based on Verizon's terminating call records and the CPN WorldCom passes on these calls; (3) provides that if WorldCom fails to pass CPN on more than 10% of the calls, it will provide Percent Local Usage (PLU) information to Verizon ; (4) provides that in the event WorldCom includes both interstate and intrastate toll traffic over the same trunk, and fails to pass CPN on more than 10% of the calls, it will then provide Percent Interstate Usage (PIU) to Verizon; (5) gives

Verizon the same options and obligations as WorldCom; (6) sets forth requirements for determining PIU and PLU information; and (7) provides that that the basis for such determinations are subject to audit?

Q. Please summarize WorldCom's position on this issue.

A. WorldCom believes that the agreement should contain this provision because it sets forth important rules relating to usage measurement for purposes of charging access charges or reciprocal compensation. These provisions encourage the efficient use of facilities by allowing aggregation of traffic types, provided that auditable information is available for verification purposes.

Q. Why is the aggregation of traffic types efficient?

A. From an engineering standpoint, placing multi-jurisdictional traffic on a single trunk group is most efficient because the carriers are not required to use any more trunking facilities than sound engineering practices would dictate based on the volume of total traffic. For example, if the total traffic represented by the total local and toll traffic to be transported could be accommodated by the capacity of a single DS-1, allowing the traffic to be combined would allow the use of a single DS-1 trunk. On the other hand, a requirement to segregate traffic results in the use of two separate DS1 trunks where a single DS1 would suffice. In addition to being inefficient, this practice unnecessarily consumes a frequently scarce resource, trunk capacity.

Q. Please explain the nature of the parties' dispute on this issue.

A. The parties appear to agree that the interconnection agreement should include provisions that address multi-jurisdictional traffic on trunks. Thus the issue presented for arbitration is which carrier's language most appropriately accomplishes that goal and should be accepted by the Commission.

Q. Please describe the contract language proposed by WorldCom.

A. WorldCom has proposed the inclusion of the following language, which appears at Attachment I, Sections 4.1.2.5 and 4.5:

> 4.2.1.5 MCIm may choose to deliver both Local Traffic and toll traffic over the same trunk group(s), pursuant to the provisions of Attachment IV. Verizon shall be responsible for measuring the jurisdiction of this traffic based on their own terminating call records and the CPN MCIm passes on these calls. In the event MCIm chooses to deliver both types of traffic over the same traffic exchange trunks, desires application of the local call transport and termination rates, and fails to pass CPN on more than 10% of the calls, it will then provide Percent Local Usage ("PLU") information to Verizon as set forth in Section [7.5] of Attachment IV. In the event MCIm includes both interstate and intrastate toll traffic over the same trunk, and fails to pass CPN on more than 10% of the calls, MCIm will provide Percent Interstate Usage ("PIU") to Verizon as set forth in Section [7.5] of Attachment IV. Verizon shall have the same options, and to the extent it avails itself of them, the same obligations, to provide PIU and PLU information to MCIm. To the extent feasible, PLU and PIU information shall be based on the actual end-to-end jurisdictional nature of each call sent over the trunk. If actual PLU and PIU information cannot reasonably be determined, the reporting Party shall estimate PLU and PIU,

and, upon demand, explain the basis for the estimate. The basis for the PLU and PIU are subject to audits in accordance with the provisions of Part A.

4.5 The Parties shall use the Calling Party Number ("CPN") to determine the jurisdiction of billed traffic. If the jurisdiction of traffic cannot be determined based on the CPN, the Parties will jointly exchange industry standard jurisdictional factors, such as PIU, PIIU, or PLU in order to determine the jurisdiction of the traffic.

Q. Please describe the differences between WorldCom's and Verizon's proposed language.

A. First, the parties have proposed different thresholds for the provision of the Calling Party Number ("CPN"), and Verizon has proposed that access rates be charged for the traffic for which the CPN is not provided. As I discussed under Issue IV-11, WorldCom's proposed ratio and treatment is more reasonable, and Verizon's attempt to charge access rates for the remaining traffic imposes an unfair and excessive penalty on originating carriers.

In addition, as I have noted elsewhere in this testimony, Verizon's proposed 2:1 ratio for determining Internet traffic is inconsistent with this Commission's Remand Order on reciprocal compensation for ISP traffic.

Issue IV-37

Should the Interconnection Agreement reflect the Meet Point Billing arrangements proposed by WorldCom?

Q. Please summarize WorldCom's position on this issue.

A. WorldCom has proposed that the interconnection agreement contain its proposed Section 4.9 of Attachment I regarding Meet Point Billing Arrangements.[1] Specifically, WorldCom's proposed language provides that Meet Point Billing will be performed in accordance with the Ordering and Billing Forum's ("OBF") guidelines and that the parties will charge IXCs in accordance with each Party's respective Switched Access tariffs, using the multiple bill/single tariff method specified by the OBF's MECAB document. WorldCom proposes that the parties exchange the information needed for billing jointly-provided switched access services at no charge to each other. WorldCom has also proposed terms which will apply in the event data is lost. These provisions require the parties to attempt to reconstruct the lost data or to use a reasonable estimate of the lost data, such as historical data of prior usage. Finally, the proposed terms provide that the party that is responsible for the lost data will be liable to the other party for the amount of lost revenue in the event that the IXC does not pay a bill due to the use of estimates.

Q. Please summarize the nature of the parties' dispute on this issue.

A. The parties appear to agree that the agreement should contain Meet Point Billing provisions, but have proposed conflicting language. Therefore, this Commission must determine which party's language should be accepted.

Q. Please summarize the differences between the parties' proposed language.

A. Each party proposes a method of conducting meet point billing, which both indicate is consistent with OBF standards. However, Verizon's actual proposal is not consistent with the OBF's MECAB document. Verizon's proposed language would

[1] Meet Point Billing Arrangements apply when WorldCom and Verizon jointly provide Switched Access service to an IXC.

conflict with the definition of the "Multiple bill/single tariff" method contained in the Multiple Exchange Carrier Access Billing ("MECAB") published by the Ordering and Billing Forum ("OBF"). As described below, a departure from the MECAB requirements at such a fundamental level only introduces confusion. Second, although each party proposes terms and conditions for the provision of the "1101XX" records within ten days of recording, WorldCom's language provides for the migration to an electronic data transfer system. Unlike Verizon, WorldCom also provides for a migration to electronic data transfer for the exchange of "1150XX" records. Although both WorldCom and Verizon propose a window of time for reporting errors, WorldCom requires that errors be reported more quickly. Finally, the parties disagree regarding the responsibility for lost revenue in certain circumstances.

Q. How does Verizon's proposed definition of the Multiple Bill-Single Tariff and Multiple Bill-Multiple Tariff methods differ from the MECAB definition of that term?

A. The MECAB document defines Multiple Bill-Single Tariff as the situation in which "[e]ach company prepares and renders a Meetpoint bill in accordance with <u>its own tariff</u> or contract for the portion of the service it provides." <u>See</u> ATIS/BF-MECAB-007, Issue 7 (Feb. 2001). In contrast, Verizon defines this method as the alternative "in which each involved Local Exchange Carrier presents separate bills to the Interexchange Carrier and each Local Exchange Carrier involved applies rates for its portion of the service from <u>the same tariff</u>." Verizon's description of the Multiple Bill-Multiple Tariff option is also inconsistent with the MECAB document. The interconnection agreement should not contain such inconsistency and inaccuracy, particularly where, as here, the terms implicate definitions that are critical to the billing process.

Q. Why has WorldCom proposed that the "1101XX" and "1150XX" codes migrate to a system of electronic data transfer?

A. The electronic transfer of such data is very efficient. WorldCom's language therefore ensures that the data is exchanged in the most efficient manner possible. Moreover, WorldCom's language allows the parties to mutually agree on the method and timing of transitioning to an electronic system.

Q. Why has WorldCom proposed a shorter window of time in which discovered data errors must be reported?

A. Allowing 30 days to lapse before alerting the other carrier of a known problem with the data decreases the possibility of correcting or resolving the problem. Immediate reporting of such errors increases the carrier's ability to correct it. Therefore, WorldCom has proposed a very short window of time for making such reports–two days. Verizon has proposed a 30 day period, but that is simply too long.

Q. Why has WorldCom proposed that the parties remain liable for lost revenue associated with the interexchange carrier's refusal to pay "estimated bills?"

A. The agreement should contain an incentive for both Verizon and WorldCom to submit billing records in a timely fashion. Under WorldCom's proposed language, if either carrier fails to submit records within an appropriate time frame, and that failure causes an IXC to pay "estimated" bills, the delinquent carrier will be liable for the lost revenue associated with the IXC's refusal to pay such bills. This liability is appropriate because the damage is directly traceable to the party's failure to perform its obligations.

Therefore WorldCom's proposed language provides an appropriate incentive for the carriers to perform in accordance with the terms of this agreement.

PRICING TERMS AND CONDITIONS

Issue IV-30

Should the ICA contain a provision setting forth certain general principles regarding the price schedule, including: (1) the effective term of the rates and discounts provided in the ICA (effective for the length of the ICA unless modified by law or otherwise provided); (2) the principle that the rates set forth in Table I that reference existing Tariffs are subject to those Tariffs; and (3) the principle that the rates or discounts in Table I are to be replaced on a prospective basis by FCC or State Commission approved rates or discounts, and setting forth a procedure whereby such approved rates will take effect?

Q. Please summarize WorldCom's position on Issue IV-30.

A. WorldCom believes that including a provision setting forth general principles regarding the price schedule is necessary to define the rights and obligations of the parties, eliminate ambiguity, and provide a mechanism for altering the rates and discounts in the agreement in light of changing law. WorldCom's proposed language effectively achieves these goals and should be adopted.

Q. Please describe the contract language that WorldCom has proposed.

A. WorldCom has proposed the inclusion of the following language, which appears in Attachment I, Section 1.1 of WorldCom's proposed contract:

<u>Section 1. General Principles</u>

1.1.1 <u>Unless otherwise provided in this Agreement, all rates and discounts provided under this Agreement shall remain in effect for</u>

the term of this Agreement unless modified by order of the FCC, Commission, or a court of competent jurisdiction reviewing an order of the FCC or Commission, as the case may be. To the extent that rates set forth in Table 1 below reference existing Verizon or MCIm Tariffs, those rates shall follow the referenced Tariffs. The rates or discounts set forth in Table 1 below shall be replaced on a prospective basis (unless otherwise ordered by the FCC or the Commission) by rates or discounts as may be established and approved by the Commission or FCC and, if appealed, as may be ordered at the conclusion of such appeal. Such new rates or discounts shall be effective immediately upon the legal effectiveness of the court, FCC, or Commission order requiring such new rates or discounts. Within thirty (30) days after the legal effectiveness of the court, FCC, or Commission order establishing such new rates or discounts and regardless of any intention by any entity to further challenge such order, the Parties shall sign a document revising Table 1 and setting forth such new rates or discounts, which revised Table 1 the Parties shall update as necessary in accordance with the terms of this Section.

Q. Does the current Virginia interconnection agreement contain similar provisions?

A. Yes. Most of this language appears in the current interconnection agreement between Verizon and WorldCom.

Q. Why should the interconnection agreement specify that the rates and discounts will be effective for the length of the interconnection agreement unless modified by law or otherwise provided?

A. WorldCom's proposed language provides necessary clarity to the parties' agreement. This clarity is needed to prevent disputes and/or litigation concerning this aspect of the applicability of the agreement's rates. This is a basic premise, and should not be controversial.

Q. Why should the interconnection agreement indicate that the rates that reference existing tariffs are subject to those tariffs?

A. This provision is also needed to provide clarity to the interconnection agreement. As discussed in the direct testimony of WorldCom witness Matthew Harthun regarding Issue III-18, the relationship between tariffs and interconnection agreements is not always clear. Providing clarity on this point will help to prevent unnecessary disputes regarding the applicability of tariffs to the interconnection agreement rates that reference tariffs.

Q. Why should the interconnection agreement provide that the rates or discounts in Table I will be replaced on a prospective basis by FCC or State Commission approved rates or discounts, and setting forth a procedure whereby such approved rates will take effect?

A. This provision adds clarity and detail regarding the appropriate means to respond to subsequently approved rates or discounts. Absent such a provision, it might not be clear whether, or how, such rates will become effective, and how the interconnection agreement's rates will be modified in light of the relevant state commission or FCC orders.

Q. Have you reviewed Verizon's Response to this Issue?

A. Yes.

Q. Please summarize your reading of Verizon's position.

A. Verizon has indicated that its proposed pricing attachment should satisfy WorldCom's concerns; this position suggests that Verizon agrees with WorldCom that the agreement's terms should be consistent with the general principles addressed in WorldCom's Petition.

Q. Does Verizon's Pricing Attachment satisfy WorldCom's concerns?

A. No. Verizon's proposal does not address all of the principles and fails to provide sufficient detail, or to go sufficiently far, in other areas.

Q. Please explain the reasons that Verizon's Pricing Attachment fails to satisfy WorldCom's concerns.

A. First, the Verizon proposal fails to specify the effective term of the rates. As I explained earlier, including the effective term of rates provides an important element of clarity in the interconnection agreement. The WorldCom proposal provides that level of detail and is therefore superior to Verizon's in that respect.

Second, the Verizon proposal is relatively ambiguous with respect to the point at which changes in rates will become effective. Verizon simply states that charges will be superseded by new charges "when such new Charge(s) are required by any order of the Commission or the FCC. . . . The WorldCom proposal provides that "such new rates or discounts shall be effective immediately upon the legal effectiveness of the court, FCC, or Commission order requiring such new rates or discounts."

Verizon's proposal also fails to provide a time line for amending the pricing table to incorporate any changes to the rates. In contrast, WorldCom's proposal provides a specific 30 day time period within which the parties will execute a document revising the Pricing Table to incorporate such changes.

In sum, WorldCom's proposal provides more clarity and covers matters left unaddressed in the Verizon proposal. WorldCom's proposal better accommodates those issues identified by both WorldCom and Verizon as important. Based on this superiority, the WorldCom proposal should be adopted.

Issue IV-31

Should the ICA contain a provision stating that Rates for Exchange Access Services purchased by either Party for use in the provision of toll service to end user customers are not affected by the ICA?

Q. Please summarize WorldCom's position on Issue IV-31.

A. WorldCom believes that the interconnection agreement should contain a provision making clear that exchange access rates, which are governed by a separate regulatory regime, are not affected by the interconnection agreement. This language provides an important limitation on the parties' rights and obligations under the interconnection agreement.

Q. Please describe WorldCom's proposed contract language.

A. WorldCom has proposed the inclusion of the following language, which appears in Attachment I, Section1.2:

Rates for Exchange Access Services purchased by either Party for use in the provision of toll service to end user customers are not affected by this Agreement.

Q. Please describe the parties' dispute with respect to this issue.

A. The parties appear to agree that governing law removes exchange access services from the scope of an interconnection agreement, and that the interconnection agreement should contain a provision indicating that exchange access rates shall not be affected by interconnection agreement rates. Thus the only issue in dispute appears to be which party's language should be accepted.

Q. Have you reviewed Verizon's proposed language?

A. Yes.

Q. How does Verizon's proposed language differ from WorldCom's language?

A. Verizon's language expressly references the exchange access tariffs, and also mentions meet point billing agreements. Specifically, Verizon's proposed language provides:

7.3.3 Switched Exchange Access Service and InterLATA or IntraLATA Toll Traffic shall continue to be governed by the terms and conditions of the applicable Tariffs and, where applicable, by a Meet-Point Billing arrangement in accordance with Section 9.

Q. Do you disagree with the content of Verizon's proposed language?

A. Although I prefer the WorldCom language, WorldCom would accept Verizon's language if it were amended to read as follows:

Originating and terminating switched access shall be charged to the appropriate toll carrier and such charges shall be governed by the parties' applicable Commission approved tariffs. Where applicable, these charges may be addressed in accordance with the Meet Point Billing Arrangements in this Agreement.

Issue IV-32

Should the interconnection agreement contain a provision stating that: (1) absent agreement otherwise, WorldCom will pay only those rates set forth in Table I for services purchased under the ICA; (2) Verizon will pay for any systems or infrastructure it requires to provide the services covered by the ICA, and that it may recover those costs only through the rates set forth in Table I; and (3) rates for subsequently developed services or services modified by regulatory requirements will be added to Table I by agreement; and (4) electronic copies of the pricing tables will be provided to WorldCom to facilitate changing the rates in the pricing tables?

Q. Please summarize WorldCom's position on Issue IV-32.

A. WorldCom has proposed that the interconnection agreement contain a provision making clear that the rates set forth in the pricing table of the interconnection agreement (which appears at Table 1 in WorldCom's proposed agreement) are the exclusive pricing schedule unless the parties agree otherwise. WorldCom's proposal makes clear that Verizon should bear its own development costs. In addition WorldCom has proposed language that establishes a process pursuant to which the pricing table may be amended. WorldCom believes this language provides necessary clarity regarding the parties' rights and obligations, and that it should be included in the interconnection agreement.

Q. Please describe the contract language that WorldCom has proposed.

A. WorldCom has proposed inclusion of the following contract language, which appears at Attachment I, Sections 1.3 through 1.4:

> 1.3 Unless otherwise agreed, MCIm shall pay only the rates set forth in Table 1 for the services it purchases under this Agreement. Verizon shall pay for all of the development, modification, technical installation and maintenance of any systems or other infrastructure which it requires to provide the services set forth in this Agreement and priced in Table 1, and shall recover all such costs through the rates set forth in Table 1. Rates for services not yet identified in Table 1, but subsequently developed pursuant to the Bona Fide Request process or services identified in Table 1, but modified by regulatory requirements, shall be added as revisions to Table 1 when agreed between the Parties.
>
> 1.4 On a monthly (or other mutually agreeable) basis, Verizon shall provide MCIm a revised copy of Table 1 to this Attachment I reflecting price changes ordered by the Commission or FCC since the last version of Table 1. Verizon shall provide such revised Table 1 in electronic (Microsoft Word or Excel) format on diskette or CD-ROM, and include the USOC codes, alpha-numeric descriptions, unit price, and recurring or non-recurring indicators for each item. MCIm and Verizon shall use such revised Table 1 to amend this Attachment I as set forth in Section [1.1].

Q. Why is it important to include a provision in the interconnection agreement providing that the rates set forth in the pricing table of the interconnection

agreement should be the exclusive rates for services purchased under the ICA absent a contrary agreement by the parties?

A. Such a provision provides clarity regarding the exclusivity of the rates in the agreement. Further, it provides an important safeguard against hidden charges. That is, it prevents Verizon from circumventing the agreement's rates by agreeing to offer a service at the rate contained in the interconnection agreement, and then subsequently identifying an additional charge that WorldCom must pay in order to receive that service.

Q. Why should Verizon be responsible for the costs it may incur to develop systems or infrastructure to provide services covered by the interconnection agreement?

A. Verizon is legally obligated to provide these services, and the development of additional systems or infrastructure is simply the cost of doing business in a competitive environment.

Q. Why should Verizon's recovery of those costs be limited to the rates included in the ICA's pricing table?

A. As a general matter, it is improper for Verizon to demand or receive compensation for any service provided under the interconnection agreement at levels that exceed or go beyond the rates contained in the interconnection agreement. With respect to this particular issue, WorldCom's proposed limitation protects against the imposition of hidden charges. In the absence of this type of language, Verizon might be able to tack on an additional 'development' charge when it provides UNEs, or otherwise attempt to pass its development costs along to WorldCom for services that Verizon is required to provide. This would allow Verizon to extort additional and perhaps exceptional costs from its would-be competitors.

Q. Why should the current interconnection agreement provide that rates for subsequently developed services or services modified by regulatory requirements will be added to Table I by agreement?

A. This language ensures that the agreement remains current and up to date in the event that regulatory requirements modify the services provided pursuant to the agreement, or if rates for those services are subsequently developed. There is a very real potential that such developments may occur during the life of the interconnection agreement, and this provision makes clear that, upon agreement, such rates or services will be added to the agreement's pricing schedule.

Q. Why does WorldCom require electronic copies of the pricing tables?

A. Bills received from Verizon for services purchased under the agreement are large and complex, with a multitude of non-recurring charges, monthly recurring charges, and various usage charges. The availability of electronic copies of the pricing tables allows WorldCom to audit the bills in an expedient and consistent manner. The ability to audit these bills in a timely fashion helps to limit disputes and obtain a higher level of accuracy. As discussed below, Verizon is uniquely positioned to provide this necessary data.

Q. Have you reviewed Verizon's Response on this issue?

A. Yes.

Q. Please summarize your reading of Verizon's position on this issue.

A. Verizon seems to agree with the general concept that the interconnection agreement should contain a provision that sets forth the parties' pricing obligations, and claims that its language should "satisfy all of WorldCom's pricing concerns." In addition, Verizon has objected to the requirement that it provide electronic copies of pricing tables.

Q. Does Verizon's proposed language "satisfy all of WorldCom's pricing concerns?"

A. No. The Verizon proposal lacks the detail contained in the WorldCom language, and differs from WorldCom's proposal in several respects. First, Verizon's language appears to provide that the rates provided in Verizon's interconnection agreement <u>or a Verizon tariff</u> should govern charges for services provided under the interconnection agreement, whereas WorldCom's language does not reference tariffs. Verizon's language also does not make clear that Verizon should cover its development costs. And, as noted above, Verizon has objected to being required to provide updated electronic versions of its current price schedule.

WorldCom's position regarding the applicability of tariffs or the rates set forth in the interconnection agreement is set forth in Issue III-18; testimony on that issue will be provided by WorldCom witnesses Matthew Harthun and John Trofimuk. In addition, Verizon's proposed language does not provide sufficient clarity regarding which rate will apply. Turning to the second difference between WorldCom's and Verizon's proposal– the interconnection agreement should contain a specific limitation on Verizon's ability to recover potential development costs associated with Verizon's provision of the services contained in the price schedule. Without such a specific limitation, Verizon might attempt to pass its development costs along to WorldCom for services that Verizon is required to provide. This would allow Verizon to extort additional and perhaps exceptional costs from its would-be competitors. This potential for anti-competitive conduct is properly restricted by WorldCom's proposed language.

Finally, Verizon has failed to provide any support for its allegation that requiring it to provide updated, electronic versions, of the current Price Schedule would be "onerous." WorldCom believes that such a requirement is completely consistent with Verizon's role as the seller of the services subject to the pricing table. It is not unreasonable to require the company that is selling services and rendering bills to provide the purchaser of services with a current and accurate price list. Further, given that it is the only party capable of providing the Universal Service Order Code ("USOC") designations associated with the services, Verizon should include that information with the pricing schedule. The USOCs are important components which allow CLECs to understand the bills that are rendered by Verizon, and ensure that the CLECs' bill review and auditing process are utilizing the correct information. See Direct Testimony of Sherry Lichtenberg on Behalf of WorldCom, Inc. at Issue IV-59 (explaining the importance and purpose of USOCs).

Issue IV-35

Should the ICA contain a provision that states that reciprocal compensation for the exchange of Local Traffic shall be paid?

Q. Please summarize WorldCom's position on Issue IV-35.

A. It is necessary that the interconnection agreement provide for reciprocal compensation for non-ISP local traffic, and WorldCom believes that its proposed language effectively sets forth this obligation.

Q. Please describe WorldCom's proposed contract language relevant to this issue.

A. WorldCom proposed that the interconnection agreement contain the following language:

> <u>Attachment I, Sections 4.2 through 4.2.1.4.2.1.</u>
>
> <u>4.2 Compensation for the Termination of Local Traffic</u>
>
> <u>4.2.1 Reciprocal Compensation for Local Traffic</u>
>
> <u>4.2.1.1 Reciprocal Compensation for the exchange of Local Traffic is set forth in Table 1 of this Attachment and shall be assessed on a per minute-of-use basis for the transport and termination of such traffic.</u>
>
> <u>4.2.1.2 The provisions of this Section [4.2] apply to reciprocal compensation for transport and termination of Local Traffic. Local Traffic is traffic originated by one Party and directed to the NPA-NXX-XXXX of a LERG-registered end office of the other Party within a Local Calling Area and any extended service area, as defined by the Commission. Local Traffic includes traffic directed to information service providers.</u>
>
> <u>4.2.1.3 Rates for transport and termination of Local Traffic must be symmetrical. For the purposes of this Section [4.2], symmetrical means that the rates MCIm charges Verizon for the transport and termination of</u>

Local Traffic equals the rates Verizon charges MCIm for the same services.

4.2.1.4 The Parties shall bill each other the following rates for the transport and termination of Local Traffic.

4.2.1.4.1 Transport (where used) – compensation for the transmission and any necessary tandem switching of Local Traffic.

4.2.1.4.1.1 The rate for common transport is set forth in Table 1 of this Attachment I. For the purposes of this Section [4.2], both Parties shall bill each other the average mileage of all end offices subtending the applicable Verizon tandem office.

4.2.1.4.1.2 Where MCIm's Switch serves a geographic area comparable to the area served by Verizon's tandem Switch, MCIm shall also charge Verizon for tandem switching in accordance with this Section.

4.2.1.4.2 Termination – compensation for the switching of Local Traffic at the terminating Party's end office Switch, or equivalent facility provided by MCIm.

4.2.1.4.2.1 The rate for local switching is set forth in Table 1 of this Attachment I.

Q. Has WorldCom modified any aspects of this language since it filed its Petition?

A. No. However, in light of this Commission's recent order regarding traffic to ISPs, WorldCom is willing to modify the portion of section 4.2.1.2 that states that local traffic includes traffic to information service providers to make clear that Internet Service

Provider traffic is not subject to the reciprocal compensation provisions. Specifically, it would be amended as indicated below:

> Local Traffic includes most traffic directed to information service providers, but does not include traffic to Internet Service Providers.

Q. Why has WorldCom proposed that this provision be included in the agreement?

A. This provision effectuates the parties' legal obligation to provide reciprocal compensation for the exchange of local traffic pursuant to §§ 251(b)(5) and 252(d)(2) of the 1996 Act.

Q. Does the current interconnection agreement contain a similar provision?

A. Yes. The current interconnection agreement contains a provision setting forth the parties' duty to provide reciprocal compensation of local traffic. WorldCom's proposed language is largely consistent with the existing language; however WorldCom has modified some of the initial language where it deemed such modifications appropriate.

Q. Please explain the extent of the parties' dispute regarding this issue.

A. The parties agree that a provision establishing reciprocal compensation for local traffic is needed in the agreement. However, the parties have offered competing language. In addition, Verizon has challenged WorldCom's reference to Internet Service Provider traffic as inconsistent with applicable law.

Q. Is WorldCom's reference to Internet Service Provider traffic consistent with law?

A. This contract language was drafted prior to this Commission's issuance of its interim rules regarding ISP traffic and reciprocal compensation. As I have explained, in light of that order, WorldCom will amend its language to exclude traffic to Internet Service Providers. However, it is not appropriate to exclude all traffic to information service providers from the definition of local traffic. As explained in the testimony of WorldCom witnesses Gary Ball and Donato Grieco, traffic's status as local is determined by the NPA-NXX's affiliated with the number dialed. Consistent with this definition, calls to some information service providers (for example a telephone weather-information service) are local, and should be treated as such for reciprocal compensation purposes.

Q. Does Verizon's proposed language comply with the Commission's recent ISP remand order?

A. No. Section 7.3.4 of Verizon's proposal defines Internet traffic in relation to a "2:1 ratio." The use of that ratio is inconsistent with this Commission's decision.

Issue IV-36

Should the ICA contain a detailed schedule of itemized charges (Table I of Attachment I)?

Q. Please summarize WorldCom's position on Issue IV-36.

A. Consistent with Section 252(a)(1) of the act, the interconnection agreement should contain a detailed schedule of itemized charges for the services provided under the interconnection agreement. The inclusion of such a pricing table clearly defines the parties' rights and obligations and avoids ambiguity. Of course, the rates that are included in that schedule will be those established by this Commission or the VSCC.

Q. Has WorldCom proposed contract language related to this issue?

A. Yes. WorldCom's proposed pricing schedule appears at Table I of Attachment I to its proposed interconnection agreement.

Q. Have you reviewed Verizon's response on this issue?

A. Yes.

Q. Please summarize your view of Verizon's position.

A. Verizon agrees that a schedule of itemized charges should be included in the agreement. However, Verizon does not agree with the specific contents of WorldCom's Table 1.

Q. Do you agree with Verizon's position?

A. I agree that there should be a pricing table–on that issue there appears to be no dispute. However, I do not agree with Verizon's assertion that its proposed pricing schedule be adopted instead of WorldCom's. That issue is addressed in Issues II-1 and II-2, and the FCC or the Virginia commission will of course establish the specific rates that apply to the services included in the interconnection agreement. This issue is simply intended to ensure that the agreement contains a pricing schedule.

RESALE

Issue IV-38

Should the Interconnection Agreement contain provisions which list specific requirements for various services available for resale such as Centrex, Federal and State Programs, N11 Service, Grandfathered Services, Contract Service Arrangements, Special Arrangements, and Promotions, VoiceMail Service, Hospitality Service, and Telephone Line Number Calling Cards?

Q. Please summarize WorldCom's position on this issue.

A. Although WorldCom initially raised several resale issues in the arbitration petition, WorldCom and Verizon have recently reached agreement, through negotiation,